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Management

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# Handling Insolvency Processes

Interactive Guide





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# How to use this guide

Created with the Chartered Institute of Credit Management's corporate partner, Menzies, this guide demonstrates some situations you may face concerning insolvency, and will help you choose the correct decisions.

With this document, you get to make the choice yourself and test your understanding of the insolvency process.

## CICM Members get more...

Insolvency can be complex. Members of the institute can receive advice directly from Menzies regarding insolvency, including any situations or processes that may not be covered in this guide. To do so, please click on the button below.

[Access the Creditor Claim Form](#)







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A creditor has filed a petition to wind up your company or a customer.

Do you...

Appoint a solicitor to review the petition and advise on appropriate actions, such as contesting the petition or negotiating a settlement.

or

Ignore the petition because the company will be able to resolve the issue.





# Eeek! Not quite...



## **Winding up a Company**

When faced with a winding-up petition, appointing a solicitor to review the petition and advise on appropriate actions, such as contesting the petition or negotiating a settlement, is what you should do in this situation.

## **Winding up a Customer**

If the winding-up Order is made, then any payments paid out by the customer after the petition has been filed could be voidable as post-petition dispositions. **If you're unsure, consider submitting a creditor claim form to Menzies LLP to find out more by clicking here.**

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# Correct decision!



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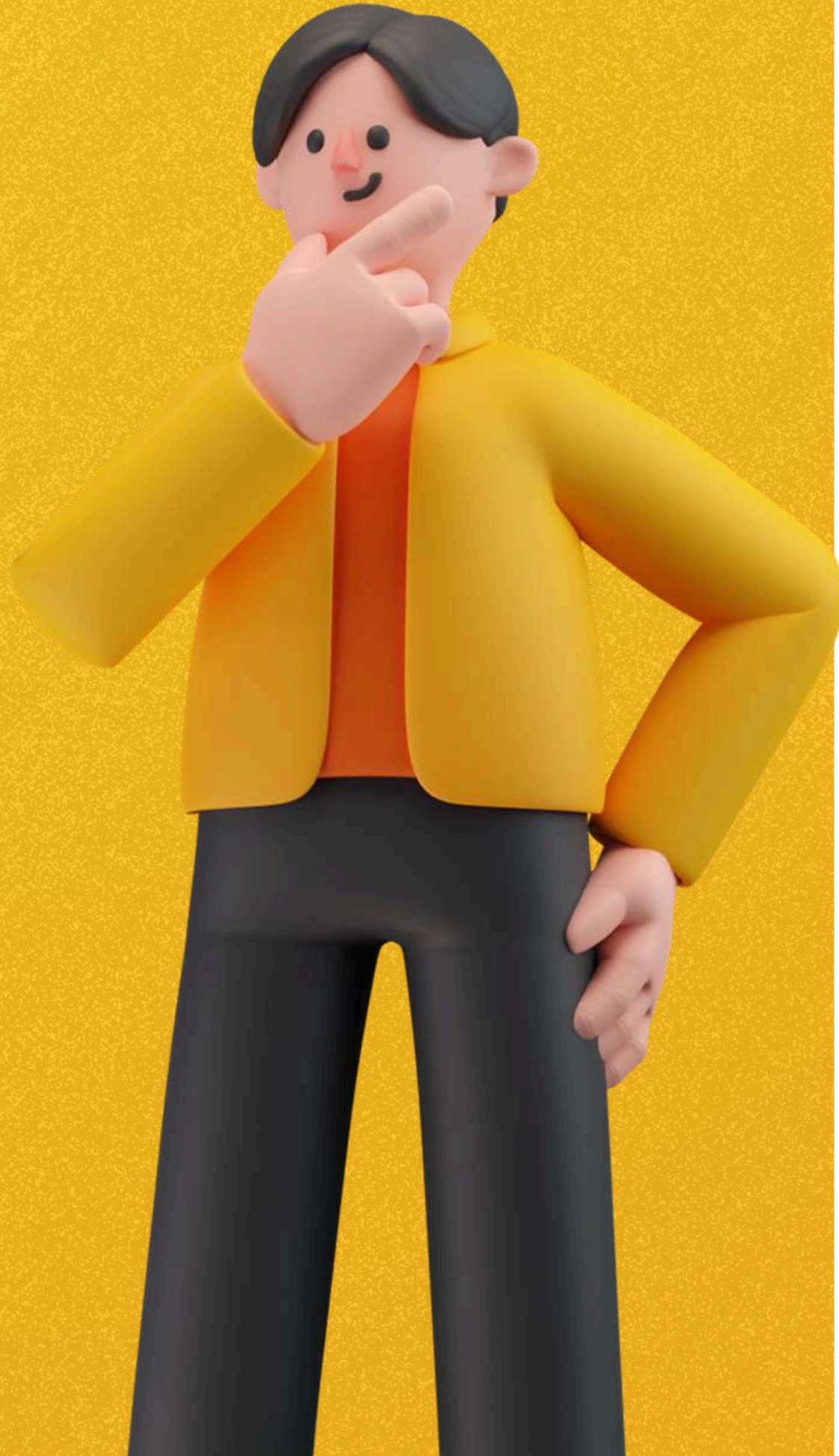
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A company has entered administration, appointing an administrator to manage its affairs.

Do you...

Cease communication and accept that debts have been written off.

or

Contact the administrator to understand the company's financial position and explore potential recovery options.



# Eeek! Not quite...



In this situation, you should not accept debts as written off. Contact the administrator to understand the company's financial position and explore potential recovery options, such as negotiating a repayment plan. Establish if the company is continuing to trade or whether there was a sale. Review the administrator's proposals and ensure that a proof of debt is submitted with supporting documentation.

**Brush up your knowledge on the difference between administration and liquidation, by clicking here.**

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# Correct decision!



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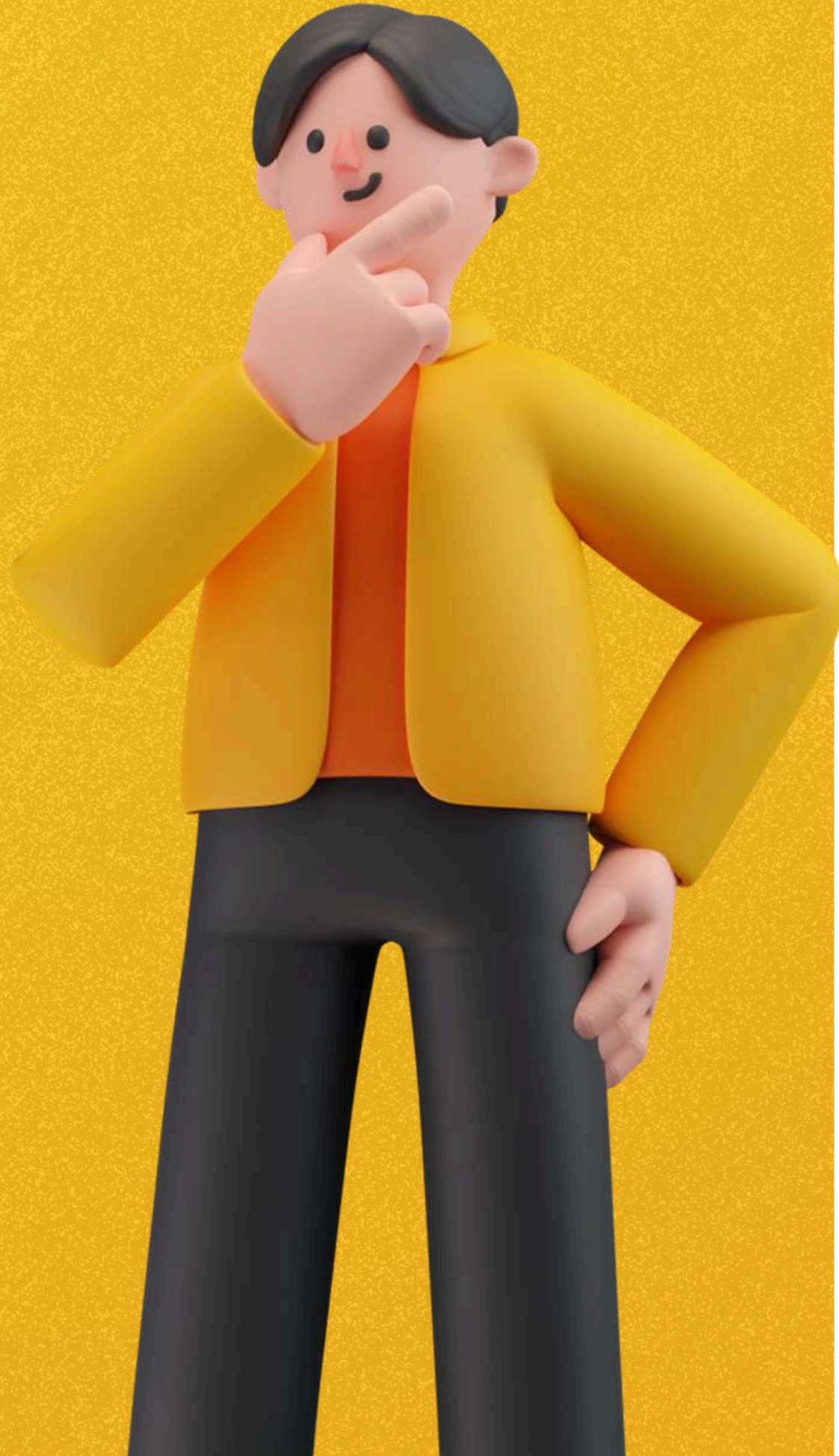
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A company has been liquidated,  
with a liquidator appointed to sell  
its assets and distribute the  
proceeds to creditors.

Do you...

Submit a proof of debt to the liquidator.

or

The debt is unrecoverable, so the liquidation notice can be ignored.



# Eeek! Not quite...



Incorrect, the debt is not unrecoverable. Submit a proof of debt to the liquidator with supporting documentation detailing the amount owed. The liquidator will make a distribution to creditors (should funds permit) in accordance with the order of priority.

**[Click here to brush up your knowledge about the deemed consent process.](#)**

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# Correct decision!



The debt is not unrecoverable. Submit a proof of debt to the liquidator with supporting documentation detailing the amount owed. The liquidator will make a distribution to creditors (should funds permit) in accordance with the order of priority.

**[Click here to brush up your knowledge about the deemed consent process.](#)**

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If you have credit insurance in place and a company has suffered a loss due to a customer's insolvency.

Do you...

Write it off because credit insurance does not cover this loss.

or

File a claim with the Insolvency Practitioner and Credit Insurance Provider.



# Eeek! Not quite...



You can actually file a claim with both the Insolvency Practitioner and the Credit Insurance provider, with necessary documentation to support the loss.

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# Correct decision!



You can actually file a claim with both the Insolvency Practitioner and the Credit Insurance provider, with necessary documentation to support the loss.

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A secured creditor has exercised their rights over the debtor's fixed assets.

Do you...

Ignore the notice and continue to extend credit to the company.

or

Assess the impact of the secured creditor's actions on the company's financial position.



# Eeek! Not quite...



Assess the impact of the secured creditor's actions on the company's financial position and determine if there are any options to protect unsecured creditors' interests. Will there be a shortfall to the secured creditor?

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# Correct decision!



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# A creditor has obtained a CCJ against your company.

## Do you...

Seek legal advice and address the debt as it will affect credit scores.

or

Ignore the CCJ, there is nothing for you to do at this stage.



# Eeek! Not quite...



At this stage you should seek legal advice and address the debt because it will affect credit scores.

When it's the other way around (and you have raised CCJ's against a customer) don't assume they will pay and ensure you take the appropriate actions such as applying for a winding-up order.

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# Correct decision!



At this stage you should seek legal advice and address the debt because it will affect credit scores.

When it's the other way around (and you have raised CCJ's against a customer) don't assume they will pay and ensure you take the appropriate actions such as applying for a winding-up order.

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# A customer has proposed a CVA.

## Do you...

Review the proposals and understand the outcome to creditors,  
including the chances of success.

or

Ignore the CVA proposals.



# Eeek! Not quite...



Review the proposals and understand the outcome to creditors, including the chances of success. You must also ensure that you vote at the meeting and submit a proof of debt with supporting documentation.

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# Correct decision!



Correct! Review the proposals and understand the outcome to creditors, including the chances of success. You must also ensure that you vote at the meeting and submit a proof of debt with supporting documentation.

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